



“Motherson Sumi Wiring India Limited (MSWIL)”

Q2 FY24 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Q2 FY '24 Earnings Conference Call of Motherson Sumi Wiring India Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference over to Mr. V. C. Sehgal from Motherson Sumi Wiring India Limited. Thank you and over to you, Mr. Sehgal.

Pankaj Mital: So welcome to the quarterly call for the results of Q2 for this year. The company has shown a commendable performance and the results are there for you to see. We have had growth in the automotive industry, which has supported us. Apart from that, the company has been working relentlessly for continuous improvements and also the new capacities which the company has created have been utilised well.

Now we open the forum for questions and answers, please.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Yeah, Hi, sir. Thanks for the opportunity. Sir, my first question is in terms of outlook side, generally can you probably indicate how many new programs you are sort of looking to start in the next maybe one year time frame? I think in the past you had indicated like these number of programs you are expected to sort of start going ahead. So, some colour there, some update there would be very helpful?

Anurag Gahlot: Hello. Yes. Siddhartha ji, this is Anurag this side. See there are a lot of new models which we are working with the different OEMs in this year and in the next year also. So we are already working on various new models as well as the facelifts also. So currently it is difficult to give you any numbers on that, but we are working very closely with these customers.

Siddhartha Bera: Okay. The second question will be on the RM side. So we have seen a bit increase in the RM to sales in the current quarter. Possible to highlight why is that? Because last quarter, we had seen an improvement because of the model mix. Now we are seeing an increase despite commodity costs and even currency being favorable. So just your thoughts there, why has it gone up and how should we look at this going ahead?

Anurag Gahlot: Siddhartha ji, because obviously it is very difficult to compare to one quarter to another because the OEM is like automotive industry is a cyclic industry and the mix of volume, we make in this quarter to the last quarter is almost, it is different. The product mix is always there. So it is difficult to compare it to apple-to-apple. So, I think I answered your query.

Siddhartha Bera: But, generally, should we expect some benefit from here depending upon where currency is currently or where commodities are. And generally if you look at the industry mix also, sir, you

will see that in second quarter also the premium mix of the industry has been quite high. So sequential basis we have not seen any mix deterioration if you look at data from the OE perspective. So try to understand this more. Why is it down? Any particular reason will be very helpful?

Anurag Gahlot: See, for the currency you are talking about, there is already a pass-through arrangement is there with the customer and even for the few commodities also which has directly passed through. So we are working on that with the customer. Maybe it is a quarter lag only, but they are getting settled down with the customer on regular basis.

Siddhartha Bera: Okay. Got it. Thanks a lot, sir. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from MOFSL. Please go ahead, sir.

Jinesh Gandhi: Hi. A couple of questions from my side. One is continuing on the cost side. So have you seen the last part of the benefit reflecting in 2Q from our cost-cutting initiative as well as RM cost in the cost, pass-through negotiations which are there? Is it largely reflecting in 2Q or we are expecting some benefit coming in 3Q as well? I mean, the context being that our margins are improved quite reasonably well?

Anurag Gahlot: Okay. Just wanted to check, is Mr. Sehgal connected now?

Vivek Chaand Sehgal : Yes. I'm there. Anurag, can you go ahead?

Anurag Gahlot: Right, sir. Jinesh ji, see, there are a lot of ramp-ups happening on the new models where efficiencies are under improvement, and this is subject to the customer. So, it is -- along with that, we are doing a lot of other activities where the cost-reduction initiatives are there, localisation is there, and operational improvement are also there, along with the customer recoveries also. So we are working it in many areas.

Jinesh Gandhi: Right. So do we expect some of these benefits to reflect in coming quarters or that is being largely reflected in 2Q? That was my question.

Anurag Gahlot: I think, Jinesh ji, these are the efforts which we are regularly doing. So I think hopefully, yes, why not? And it's all subject to the -- what customers are making and how we are servicing them. So it is not only just to look this into isolation. We have to look in the totality.

Jinesh Gandhi: Got it. And the second question pertains to the new capacities which have started operations. So you indicated they are in various phases of ramp-up. Any sense on how much they have been ramped-up so far and by when do we expect full ramp-up based on the inputs which you have from the key customers?

Anurag Gahlot: See, these new facilities are already ramped-up to 70% to 80%. And we are still ramping-up at a few locations. So they are still ongoing.

- Jinesh Gandhi:** Got it. And lastly, when I look at our capex guidance of INR125 crores for FY '24, first half we have just spent about INR26 crores. So do we still expect to spend an additional INR100 crores in second half or capex is expected to be lower than what we had earlier guided for?
- Mahender Chhabra:** Yes. So we had a plan of INR125 crores for the current year for capex. And most likely we would be spending around that money on the capex.
- Jinesh Gandhi:** Okay. Got it. Great. I'll come back in queue. Thanks.
- Moderator:** Thank you very much. The next question is in the line of Raghunandhan NL from Nuvama Institutional Equities. Please go ahead.
- Raghunandhan NL:** Thank you, sir, for taking my question. Congratulations on good set of numbers. On the EV side, earlier we had indicated that multiple customers are being serviced on two-wheeler, four-wheeler and commercial vehicle side. Would it be possible to approximately indicate what would be the share of EV programs and revenue?
- Vivek Chaand Sehgal :** Anurag, can you take this?
- Anurag Gahlot:** Okay. This is approximately currently 3.5% to 4% as of now. And this is covering all the segments of four-wheeler and CV and two-wheeler.
- Raghunandhan NL:** Got it, sir. Thanks. Thanks so much for sharing this number. And relating to the same, this number should keep increasing in future. What I mean to say is at the parent entity, SAMIL, the order book trends are generally shared and EV share in the order book is also shared. So can you indicate some colour on possibly the size of order book or EV share in the order book, which would give us an understanding how this 3.5% to 4% of revenue can keep increasing in future?
- Anurag Gahlot:** See, as the industry will grow in India, obviously this sale will also increase. So it is all depend how the industry will get matured with the EV. So it all depends on that.
- Raghunandhan NL:** Understood, sir. On the high voltage wiring harness, will it be possible to approximately indicate what would be the current level of localisation? What I'm referring to is because this is a new area, the bought-out components will still be on the higher side and backward integration localisation efforts will happen in future. So if you can give any colour, what are the efforts in that regard and also, what could be the benefits in future because of these efforts?
- Anurag Gahlot:** See, different customer having a different content on this, and we are continuously working on these customers in localising the parts also. So it varies from one customer to another, but we are continuously in touch with the customers and providing the solution to them.
- Raghunandhan NL:** But broadly, would it be fair to assume that as these efforts span out over the next few years that will also have a positive impact on profitability?
- Anurag Gahlot:** It is – Raghunandhan ji, very difficult to put the point directly that whether this is related to the profitability or not. But on the other side, I can tell you like we have developed that like charging

socket also, wires also. So we are doing a lot of work with the customer and providing the solution. Obviously, at some stage, they will be benefited to customer as well as to us also.

Raghunandhan NL: Got it, sir. On the increase in content per vehicle during the last Analyst Meet, the opportunity was up to 8x in two-wheeler, ICE versus EV and opportunity was 2.4x in four-wheeler in terms of content per vehicle increase, ICE versus EV. So now that you are working on various EV programs, so roughly what is the range in which you are seeing the content increase happening? Just to get a sense whether, say, is it 50%, 100% or even higher than that?

Anurag Gahlot: I think, what we have given that EV is 1.7x to 2.4x of ICE and EV and two-wheeler is 4x to 5x. I think it, this is some indicative what we have presented. And I think this also vary between one customer to another. So it will be difficult to say, okay, no, this is the number which is going to be. So it will be varying to that. And as we are moving forward on, as I explained in the earlier conversation, that we are moving towards the good solution to the customer. So I think this figure will improve in some period of time.

Raghunandhan NL: Got it, sir. Thank you so much. Very useful. I'll come back in the queue.

Moderator: Thank you. As there are no further questions from the participants. I now hand over the conference to Mr. V.C. Sehgal. Please go ahead, sir.

Laksh Vaaman Sehgal : So maybe I can do the closing. Thank you, everybody, for your support and for your questions. Of course, we're always available for any follow-up questions that you have.

The Board congratulated the management team for excellent set of numbers for this quarter and we hope the momentum will continue in the following quarters as well. We look forward to speaking with you in the next quarter. Wishing everybody a very happy Diwali in advance. Please stay safe and healthy. Thank you very much.

Moderator: Thank you very much. On behalf of Motherson Sumi Wiring India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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